

Message Text

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PAGE 01 STATE 096508
ORIGIN SS-25

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AID/NE/ME:JHOLTAWAY

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S/S:MR. SEBASTIAN

NEA:NAVELIOTES

-----290916Z 046216 /10

R 282231Z APR 77

FM SECSTATE WASHDC

TO AMEMBASSY TEL AVIV

C O N F I D E N T I A L STATE 096508

EXDIS

E.O. 11652: GDS

TAGS: EAID IS

SUBJECT:ISRAEL'S REQUEST FOR U.S. DOLS 300 MILLION CASH
GRANT FOR FY-78

1. DURING HIS MARCH VISIT, P.M. RABIN REQUESTED THAT CASH GRANT COMPONENT OF ADMINISTRATION'S FY-78 SECURITY SUPPORTING ASSISTANCE (SSA) PROPOSAL TO CONGRESS FOR ISRAEL BE INCREASED BY U.S. DOLS 150 MILLION TO A NEW TOTAL OF U.S. DOLS 300 MILLION. WE INFORMED RABIN AND SUBSEQUENTLY AMBASSADOR DINIT, THAT WE WOULD CONSIDER ISRAEL'S REQUEST BUT THAT IT PRESENTED US WITH DIFFICULTIES.
2. ON APRIL 18 ASSISTANT SECRETARY ATHERTON MADE FOLLOWING POINTS TO ISRAELI DCM BAR-ON:
--WE HAVE RECEIVED NO EXPLANATIO; FROM ISRAELI SIDE CON-
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PAGE 02 STATE 096508

CERNING ISRAEL'S NEEDS FOR U.S. DOLS 300 MILLION CASH GRANT IN OUR FY-78 ECONOMIC AID TO ISRAEL, WHICH RABIN REQUESTED DURING HIS VISIT. AS THE SECRETARY SAID TO RABIN AND A WEEK LATER TO DINITZ, WE STAND READY TO CONSIDER THIS REQUEST, BUT IT PRESENTS US WITH DIFFICULTIES.
--AS ISRAEL KNOWS, EXTENSION OF FOREIGN ASSISTANCE IN FORM OF CASH GRANTS HAS NEVER BEEN POPULAR WITH CONGRESS,

AND OUR PROVISION OF CASH GRANTS EVEN TO SUCH CLOSE FRIEND
AS ISRAEL IN WAKE OF SINAI II DREW FIRE ON HILL. IN FACT,

WE RECEIVED WARNING NOT TO REQUEST AGAIN SUCH AN INCREASE
IN CASH GRANT FOR ISRAEL.

--LAST MONTH SAW GREATEST TRADE DEFICIT IN U.S. HISTORY, AND
CONGRESSIONAL SENSITIVITIES ABOUT CASH GRANT AID WILL BE
HEIGHTENED.

--WE WANT TO GIVE ISRAEL'S REQUEST FOR A U.S. DOLS 300
MILLION CASH GRANT IN FY 1978 FAIREST POSSIBLE CONSIDERA-
TION. WE CAN DO THIS ONLY IF WE RECEIVE FROM ISRAEL A
DETAILED JUSTIFICATION.

3. DESPITE GENERAL RELUCTANCE OF CONGRESS TO ENDORSE CASH
GRANTS (SEE PARA 4) ON APRIL 19 M.E. SUBCOMMITTEE OF HIRC
REPORTED FAVORABLY TO HIRC ON ADMINISTRATION'S U.S. DOLS
785 MILLION SSA REQUEST FOR ISRAEL AND RECOMMENDED CONSID-
ERATION OF AN AMENDMENT INCREASING CASH GRANT COMPONENT TO
U.S. DOLS 300 MILLION IN FY-78, ON A ONE TIME BASIS "LARGELY
TO HELP ISRAEL MEET ITS OIL IMPORT REQUIREMENTS.

4. FOR PAST THREE YEARS, WE HAVE JUSTIFIED U.S. DOLS 150
MILLION A YEAR CASH GRANT TO ISRAEL ON BASIS OF NEED FOR
REDEPLOYMENT TO NEW LINES IN SINAI, REPLACEMENT OF ABU
RODEIS OIL AT WORLD PRICES, AND EXPANDING ISRAEL'S OIL
STORAGE CAPACITY. EMBASSY WILL RECALL THAT FOR FY-77 WE
ACCEDED TO ISRAEL'S REQUEST TO TRANSFER U.S. DOLS 50
MILLION FROM COMMODITY IMPORT PROGRAM (CIP) TO CASH GRANT
CATEGORY OF SSA, BRINGING CASH GRANT COMPONENT TO U.S.
DOLS 200 MILLION. IN NEITHER CASE DID GOI REQUEST OVER-
ALL INCREASE IN SSA LEVELS, BUT RATHER TRANSFER OF FUNDS
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PAGE 03 STATE 096508

FROM CIP TO CASH GRANT CATEGORY. ALTHOUGH CONGRESS DID
NOT OBJECT TO FY-77 INCREASE IN CASH GRANT ASSISTANCE,
SENATOR INOUE INFORMED A.I.D. THAT COMMITTEE ON APPRO-
PRIATIONS "REGARDS THIS REALLOCATION OF FUNDS AS A ONE-
TIME EXCEPTION TO THE ESTABLISHED AND PREFERABLE MEANS OF
PROVIDING SHORT TERM BUDGETARY SUPPORT, NAMELY A CIP TIED
TO PROCUREMENT IN THE U.S."

5. ABOVE IS PROVIDED FOR EMBASSY'S BACKGROUND AND INFORMA-
TION. WE REALIZE LACK OF ACCOUNTABILITY OF CASH GRANT PRO-
GRAM MAKES END USE ANALYSIS DIFFICULT. NEVERTHELESS, IF IT
I- POSSIBLE TO ASCERTAIN FACTS DISCREETLY, DEPARTMENT WOULD
APPREC,AT- EMBASSY'S ANALYSIS OF HOW FY-76 AND FY-77 CASH
GRANTS ARE BEING USED BY ISRAEL AND FOR WHAT PURPOSE U.S.
DOLS 300 MILLION CASH GRANT FOR FY-78 WOULD BE USED.
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